



HOUSE ARMED SERVICES COMMITTEE DUNCAN HUNTER – CHAIRMAN

PRESS RELEASE

For Immediate Release:
July 13, 2005

Contact: Josh Holly (202) 225-2539

CHAIRMAN HUNTER OPENING STATEMENT

Full Committee Hearing on the National Security Implications of the Possible Merger between the China National Offshore Oil Corporations (CNOOC) and the Unocal Corporation

Washington, D.C. – We’re meeting this morning to consider a proposed bid by the Chinese National Offshore Oil Corporation to purchase Unocal, an American energy company. Some might think it odd for the committee to review the Chinese bid of Unocal. After all, one might argue that foreign corporate acquisitions are outside the scope of the national security issues we usually deal with. Nothing could be further from the truth.

The simple fact is that energy is a strategic commodity. The infrastructure, drilling rights, and exploration capabilities Unocal uses to provide energy on the open market all represent strategic assets that affect U.S. national security. Although it is a relatively small player in the United States energy market, Unocal is a significant provider of natural gas in Southeast Asia. It is also a primary investor in pipelines running from Central Asian oil fields through Azerbaijan, Georgia, and Turkey, all critical players and key U.S. allies in the global war on terrorism. China’s purchase of Unocal would dramatically increase its leverage over these countries, and therefore its leverage over U.S. interests in those regions.

There is a second factor to consider: Chinese enterprises do not behave as normal commercial companies on the international market. Because they are state-owned and state-financed entities, they do not follow the normal rules of the market. Instead, they obey the political directions of China’s communist government. The Chairman of the Chinese company, Fu Chengyu, also happens to be Secretary of the Leading Group of the Communist Party. Can anyone honestly believe that his primary interest lies in protecting the interest of his shareholders and the stability of global energy markets? Of course not. He answers to the Politburo in Beijing.

Two weeks ago we passed House Resolution 344 by a vote of 398 to 15. The resolution noted the strategic importance of energy, China’s ongoing efforts to lock up global energy resources, and the impact of those efforts on U.S. gasoline prices. It further called upon the President to conduct a thorough review of the deal. In response, the Chinese Foreign Ministry issued a statement which read: “We demand that the U.S. Congress correct its mistaken ways of politicizing economic and trade issues and stop interfering in the normal commercial exchanges between enterprises of the

two countries.” With all due respect to the Chinese foreign ministry, it’s not a normal commercial exchange when one of the parties to a deal is owned and operated by a totalitarian Communist government that does not answer to the rules of the market. In fact, not a single member of this committee made a mistake, no matter which way they voted. Even when we disagree with one another, we answer to the American people, not the demands of the Chinese foreign ministry.

At this point, China’s bid may become moot. Unocal’s stockholders will decide on August 10th whether they want to accept a bid from Chevron. That’s the kind of normal business transaction that we should be reluctant to involve ourselves in—but the Chinese Foreign Ministry is wrong to think we don’t have a voice in the efforts of its government to lock up strategic natural resources. We have a responsibility to look at those issues and a duty to look out for the American people when it comes time to make decisions. That’s what this hearing is about.

###

<http://armedservices.house.gov/>